



3/25/2014

To: House Committee on Regulatory Reform

Subject: HB 5275

Thank you for the opportunity to submit our comments on behalf of Black Star Farms, a winery and fruit brandy distillery located in Suttons Bay, Michigan. HB 5275 will be helpful to our business.

Wines:

Michigan wines represent about eight percent of total Michigan wine consumption and less than half of those wines are actually produced from Michigan grown fruit. Michigan is an expensive place to grow grapes and to produce wine. Relatively speaking, we do not have the economies of scale compared to the largest wine producing regions of the world.

Black Star Farms is proud of only producing Michigan wines from Michigan fruit. We are willing to take on any wine from around the world on the basis of quality. HB 5275 will be of some limited help to us to match them in price but more to encourage the growing of more Michigan fruit.

Agriculture is important to Michigan, and the growing winery sector has been one of the bright spots as the state benefits from local investments in land and vineyards, increased employment, agricultural and culinary tourism, packaging, retailing and alcohol taxes. The return to Michigan's economy from the eight percent of Michigan wine is many times the taxes collected whereas the state only receives alcohol taxes on the remaining 92 percent of wine consumed in Michigan. In addition to alcohol taxes, Black Star Farms paid approximately \$167,000 in sales tax to Michigan from direct sales of our wines from our tasting rooms. Eight cents a gallon on fifty one cents tax is a 15.8 percent rebate. BSF paid approximately \$30,000 in alcohol taxes to the state in 2013 and the rebate would have amounted to \$4,740. A very small investment by the state in over 150 acres of Michigan vineyards

Michigan gains when it provides incentives for Michigan farmers to grow more grapes and for Michigan wineries to make wine from those grapes. HB 5275 provides an economic development tool similar to those made available to other industries that are important to Michigan.

The projected rebate of eight cents per gallon from the fifty one cents per gallon of wine tax is pretty small but it is a start. In our case it would amount to a bit over \$5,000 per year in a business that employs over 25 people, purchases close to \$1.5 million in goods and services in Michigan and attracts over 100,000 visitors a year. Eight cents a gallon translates to one and a half cents a bottle of wine produced.

Spirits:

This Legislature has written legislation to allow small distilleries in Michigan. Michigan investors have responded by creating a small but growing Michigan craft distillers industry. Black Star Farms is a founding member of the Michigan Craft Distillers Guild, and we are here today on their behalf.

Spirits were not included with beer and wine in HB 5275 as originally drafted, but the sponsors have indicated they are willing to do so in a substitute bill. There are many similarities across the three alcohol products and a number of Michigan businesses produce more than one alcohol type.

Michigan distilled spirits represent about one percent of total distilled spirits consumed in Michigan. Our spirits are struggling to find a foothold in a spirits market dominated by established brands with worldwide distribution. Our industry and businesses are relatively small; every available dollar has to be spent on introducing our products to consumers. Any dollar that is freed up through HB 5275 tax rebates will be available to grow our businesses.

From an agricultural standpoint, there is an opportunity to increase brewers' and distillers' grain production and malting of those grains within the state of Michigan. HB 5275 provides a direct economic development incentive to meet the needs of the industry and grow Michigan agriculture.

Our neighbor, New York, has successfully used a tax rebate incentive of fourteen cents per gallon to grow their own wine, beer and spirit industries. We ask for your support of HB 5275 as it will be a good investment in Michigan.

Respectfully Submitted


Michael M. Lahti
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Black Star Farms, LLC

3/25/14
Dated: